

Dear dairy farmers and interested parties,

The Milk Market Observatory (MMO) celebrated its one-year anniversary last month. We still welcome the increased amount of material information that is published and made available Europe-wide each day. Publishing information and acting on that information are two quite distinct things. As we feared and stated in the wake of the establishment of the MMO, the Commission seems to mistake collating data for meaningful intervention and we are no closer to policy of practical and effective intervention in times of market upheaval.

Given that our fears have been realised and that the Nicholson Report says that "a sustainable and competitive dairy sector with responsive tools is the goal of the Milk Package" it seems obvious that there must be changes made to the role of the MMO. The report highlights the reality that volatility will be a continuing challenge facing the dairy sector and urges the Commission to consider measures to mitigate the risks arising from hugely increased exposure to the world market. This must be the central plank of dairy policy going forward within DG Agri. The prospect of family farms going out of business due to largely avoidable volatility - where the remedy could be legislated for - is very hard to take. Especially where these family farms are, in the main, basically profitable businesses simply unable to deal with see-saw price volatility and abrupt market movements.

So while the Nicholson report says that the "medium and long-term prospects for the dairy sector in both domestic and global markets remain favourable" that will be of little comfort to those dairy farmers exiting the industry each year due to extreme price volatility. What we need are programmes with legislative power to deal with potential crisis before they arise. Prevention is better than the cure and therefore an MMO with 'teeth' would go a long way towards preventing crisis such as the current one where milk prices are falling to levels not seen since 2009.

The MMO also presents the EU with an opportunity to - finally - address the issue of the overwhelming power of the retailer in the supply-chain. The current system where some parties (retailers) in a transaction have more information than others (farmers) is putting completely unfair pressure on the primary producer. This system of so-called 'Asymmetric Information' is leading to all the decisive power being concentrated in the hands of the retailer, with the margins in the food-supply chain remaining stable for the retailer but constantly 'squeezed' for the primary producer. We demand the Commission to pursue vigorously the possibility of getting 'Real Time' data from all sides in a way that, coupled with legislative backing, would allow the Commission to intervene in a proactive, meaningful and fair-handed manner.

The MEPs also call for an enhanced Milk Market Observatory in their amendments to the Nicholson report. The dairy report with more than 480 amendments will be voted on 8 June. You will find a short analysis in this newsletter.

Furthermore, we are pleased to announce the Second Fair Milk Conference in Italy. Farmers from the Fair Milk countries will come together on 23 June to discuss their Fair Milk brand.

John Comer, Member of the EMB Executive Board and President of ICMSA Ireland

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Second Fair Milk Conference in Italy on 23rd June

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On the occasion of the World's Fair (EXPO) in Italy, the European Milk Board, our Italian member organisation APL and COPAGRI are pleased to invite you to the Second European Fair Milk Conference, which will be held in

Montichiari, Italy, not far from Lake Garda.

With the "Fair Milk" slogan, for several years the European Milk Board (EMB) has been drawing the attention to the necessity of cost-covering milk prices. Currently, Fair Milk products are available in six European countries. The conference will give you the opportunity to get to know the current Fair Milk products and projects. The highlight of the conference will again be the award ceremony of the "Golden Faironika 2015". Since last year, the award honours a politician and a farmer for their outstanding services in the field of sustainable food production. The artificial cow "Faironika" symbolises the European dairy farmers' call for a fair, cost-covering milk price and can

regularly be seen all over Europe in the different national colours.

After the conference it is possible to visit the EXPO in Milan. A shuttle bus will bring interested participants from the Fair Milk Conference to the EXPO area

in Milan.

Furthermore, Fair Milk products will be exhibited at the EXPO from 24th until

28th June 2015.

Programme of the Fair Milk Conference on 23rd June

11:00 Welcome note
 Il latte onesto Italia
 International Fair Milk projects
 Golden Faironika award
 Discussion
14:30 End (milk tasting & buffet)

Please register before 18 June at office@europeanmilkboard.org

Fair Milk in Belgium: new products on the market

In late April – on the occasion of the 5th anniversary of their co-operative Faircoop – the Belgian dairy farmers launched a new product under their Fairebel label: **Fairebel Cheese made from grass-fed cows' milk**.

© Fairebel

Five years ago – during the milk crisis – the Belgian farmers decided to take fate into their own hands. The aim was to be paid fairly for their labour and to be able to carry on farming. At the same time the farmers also wanted to offer high-quality products. And they succeeded – after semi-skimmed milk, chocolate whole milk, ice cream and whole milk, the Fairebel range has now added two types of cheese. In partnership with the Herve cheese dairy it has been producing soft cheese (200g) and hard cheese in cubes (150g) for several weeks now. The milk suppliers undertake to conform to specific criteria in their farming (grazing livestock, regional feed, GMO-free) in the production of the grass-fed cows' milk cheese. The new products are on sale at numerous retail outlets.

We wish Faircoop every success in their endeavour!

[EMB video: presentation of Fair Milk cheese in Herve \(29 April 2015\)](#)

[Video of Faircoop dairy farmers and production of Fairebel soft cheese \(FR\)](#)

[Production of Fairebel hard cheese \(NL, FR\)](#)

EMB position paper presents Committee of the Regions' main demands

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2015).

In an unusually clear opinion, the Committee of the Regions (CoR) has called EU Institutions to correct their dairy policy (see our [press release](#) from May

In particular, the CoR opinion calls EU Institutions to:

- take steps to safeguard the income of all producers;
- strengthen producer organisations' negotiating power;
- improve the operation of the European Milk Market Observatory;
- examine the EMB proposal of a Market Responsibility Programme;
- expand contracting to cooperatives, in order to cover the whole dairy market.

Our new [position paper](#) provides a detailed presentation of the Committee of the Regions' demands.

Hanna Penzer, EMB

The situation in Germany

The abolition of the quota on 31 March 2015 was celebrated by many traditional German institutes (DBV, LfL Bayern, LLH, MIV, etc.) as a liberation of dairy farmers. In future, they argued, farm managers could now make their own decisions on the development of their farm and would no longer have to regard the expensive quota as a hindrance and straitjacket for the farm.

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According to the advocates of the abolition of the quota, over the 31 years the quota had brought the farms nothing but costs, and had never achieved the goal stated at the time of stabilising the milk price. The market, they said, had not been safeguarded against severe fluctuations, and the number of dairy farms had fallen in Germany from 369,000 (1984) to 78,000 (2014) despite the quota (DBV fact check on the end of the quota).

Much can be speculated about what would have become of the dairy industry without the quota, because there is no possibility of drawing a comparison. The fact is, though, that the decline in the milk price within one year of at least 10 cents/kg on a production volume of 29 million tons means a loss in added value for the dairy farmers of at least € 2.9 billion.

By 30 April 2015, the dairies had negotiated the new contracts for the white line (milk, yoghurt, and quark) with the retailers. What is totally unusual and new is that nothing has been said or written about the course and outcome of the negotiations. However, the decrease in the milk price in Aldi stores from 59 cents/litre to 55 cents/litre leads one to assume that the dairies had to give way in the negotiations. The current market situation confirms this supposition. Although altogether less milk is being produced than in the same period the previous year, supply exceeds demand. Another most likely reason is that very often the media associated the end of quotas with an end to the costs of the quota. The retailers probably made use of this in their argumentation. There has not been a reduction in milk producers' costs, as the quota was already paid for.

Further falls in milk prices are therefore to be expected in Germany. There is still hope that the dairies will not make concessions in the negotiations on the "yellow range" (cheese products). That is why on Milk Day on 1 June 2015 the BDM used bonfires to draw attention to the situation in the milk market. The aim of these warning fires was to explain the situation in conversations with as many consumers and politicians as possible and to present the instrument for milk market crisis management.

Thorsten Sehm, BDM Germany

News from Brussels

Voting on the EU-Dairy Report

On 8 June the MEPs on the European Parliament's Committee on Agriculture und Rural Development will be voting on the "*Prospects for the EU dairy sector – Review of the implementation of the Dairy Package*" report. MEPs from every parliamentary group have submitted a total of 482 amendments – with some positions varying greatly. The Northern Irish rapporteur James Nicholson has summarised the amendments in what are termed "compromise

amendments" with similar proposals.

The EMB had already analysed the Nicholson Report and given the MEPs its assessment. The report as well as some new tabled proposals show some positive aspects, such as the call for an improvement in the Milk Market Observatory (e.g. an index that includes the milk price and production costs, the provision of up-to-date information) and the demand for longer-term contracts that also stipulate prices reflecting production costs. What is evident, however, is Nicholson's emphasis on milk market growth and export orientation. Many amendments take the same line, focussing merely on the "positive global demand", "export opportunities and new markets" and

"financial support by means of investment capital".

EU Commission rejects country of origin labelling for milk

The European Commission has rejected mandatory country of origin labelling for milk and dairy products. The Commission report, published on 20th May, concluded an additional burden for operators due to high costs and the economic impact of having to introduce additional traceability systems, especially for operators located in border regions. However, the costs of labelling the origin of milk could be "generally modest", according to the report.

In its report, the Commission states that although consumers are interested in the origin of milk, their "overall willingness to pay for this information appears to be modest". The Commission report therefore suggests that voluntary labelling could address consumer demand while retaining flexibility for Member States and food operators.

So far, there is mandatory labelling for products such as meat, honey and eggs. Several countries (amongst others Italy, the United Kingdom, Poland) were in favour of country of origin labelling in order to have advantages in the promotion of dairy products.

[EU-report regarding mandatory indication of the country of origin](#)

COPA-COGECA warns of the drastic situation in the EU milk market

Albeit somewhat late, the European umbrella organisations of farmers and co-operatives (COPA-COGECA) have realised the seriousness of the situation and called for measures from the EU Commission. In a recent press release the Chairman of the Dairy Working Group, Mansel Raymond, warns that farm-gate prices do not cover production costs. For ages the EMB's warnings were not taken seriously – no surprise, then, that COPA-COGECA rejects outright the EMB's Market Responsibility Programme, as "it would be totally impractical". Instead, COPA-COGECA wants to study different systems, from margin protection programs in the USA through futures markets and fixed-price contracts to flexible contracts (type A and B payments).

Poland requests help from the EU for dairy farmers

The Polish Ministry of Agriculture has requested aid for dairy farmers from the European Commission. The request is substantiated by the continuing collapse in the milk price and the abolition of supply regulation. The Ministry is calling for an increase in the intervention price for butter and milk powder as well as extraordinary aid for milk producers. The Russian embargo and the general decrease in milk prices have both hit Poland hard. The situation with milk prices of 17-22 cents is described as drastic.

Regina Reiterer, EMB

EMB Diary

The EMB Board's key dates in June 2015:

- 15.-16.06.: TTIP Conference
- 16.06.: Civil dialogue groupe meeting „quality & promotion“
- 17.06.: Talks with MEPs
- 22.06.: EMB Board Meeting (EXPO Milano)
- 22.06.: Internal Fair Milk Conference (EXPO Milano)
- 23.06.: External Fair Milk Conference (Montichiari)

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